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## Japan

### Market Development Reports

#### Food Business Line

*Periodic Press Translations from ATO Tokyo*

**2001**

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**Report Highlights:** A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: supermarkets report increased food sales at mid-year, despite overall sales decline; nearly all major trading companies report increases in food sales at mid-year; Aeon-Mycal coalition emerges as largest supermarket chain; Lawson convenience store chain to source all frozen vegetable ingredients from China; and Park Hyatt Hotel's New York Grill ranked as most popular restaurant in Tokyo.

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# Food Business Line

Periodic Press Translations from ATO Tokyo

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## Wholesale/Retail

- According to the mid-term financial statements of 41 supermarkets, only two companies increased sales on a same-store basis compared to last year. This was mainly due to the depressed economic situation. However, in terms of food sales, 31 supermarket companies registered sales increases and 37 expanded their food department sales floor space. *Daiei* was ranked first in terms of overall sales, followed by *Aeon* (formerly *Jusco*) and *Ito-Yokado*. (f 11/1)
- According to mid-term company financial statements, major trading companies *Mitsubishi*, *Ito-Chu*, *Marubeni*, and *Tomen* reported increases in overall sales compared to the same period last year. In the case of *Mitsui*, despite a reduction in overall sales, it achieved a 36% increase in profit. All major trading companies reported increases in food sales, with the exception of *Nissho-Iwai* and *Nichimen*. (c 11/26)
- With *Aeon* (formally *Jusco*) taking the lead in reforming *Mycal* following the company's recent failure, the *Aeon-Mycal* coalition suddenly emerges as the largest supermarket chain competing with *Daiei* and *Ito-Yokado*. The new competition among these three giants may be further intensified by foreign retailers, such as *Wal-Mart*, constantly watching the Japanese market. (a 11/24)
- Starting next spring, *Lawson* convenience store chain plans to switch all the frozen vegetable ingredients for its *bento* lunch boxes and *sozai* side dishes to organic vegetables imported from China. (a 11/8)
- According to mid-term company financial statements, 11 of the country's 16 major department stores registered increases in both sales and profit this year compared to the same period last year. In addition, food sales for 11 of the companies were also up over last year, due to floor renovations and other restructuring. (f 11/8)
- Discount retailer and food service wholesaler *Hanamasa* plans to expand sales of Australian grass-fed beef with a half-price sales promotion during November at their 36 directly-owned supermarkets and 35 food service outlets which they supply. (a 11/15)
- Several on-line companies are folding. For example, *E-convenience*, a venture company established a year and a half ago by *Sunkus & Associates*, the *Uny Group*, and *Softbank Investment*, has decided to close after its debt reached 300 million yen. *BOL Japan*, an on-line bookseller, also closed in October. However, at the same time, some other companies, such as *Seiyu* and *Kinokuniya Book Store*, are doing well with their internet businesses due to their effective strategies of utilizing their existing store networks. (a 11/17)
- *Mycal* announced on November 16 it will start negotiations with *Maruetsu* on selling its food supermarket subsidiary *Pororocca*. There are 21 *Pororocca* stores in the Tokyo Metropolitan area and 33 in the Kinki region. (b 11/17)
- According to mid-year company financial statements, six convenience store chains, including *Seven-Eleven*, *Lawson*, and *Family Mart*, experienced a reduction in sales compared to last year on a same-store basis. Consumer expenditures per unit are declining since young people now

spend more on phone bills than purchases at convenience stores. Price competition is also being led by rival fast food chains. (f 11/22)

- According to the *Japan Chain Stores Association*, overall sales of its member companies in October declined 10% on a same-store basis compared to the same month last year. Food sales also declined 4.6%. (a 11/27)
- According to the *Japan Department Store Association*, overall sales of its member companies in October declined 1.7% compared to the same month last year. (a 11/27)

### **Food Service**

- The *New York Grill* restaurant at the Park Hyatt Hotel in Tokyo was ranked as the most popular restaurant in Tokyo, according to the Zagat Survey 2002. The *Queen Alice* chain of French restaurants, which is affiliated with well-known Japanese Chef Ishinabe, ranked second. *Starbucks Coffee* moved up to third place from last year's seventh place ranking. (b 11/6)
- Starting in December, *Nippon Restaurant Enterprise (NRE)* plans to sell its "O-bento" lunch boxes, which are currently sold in railway stations throughout Eastern Japan, to elementary school lunch programs in Fairfield, California where the company's factory is located. (a 11/14)
- *Dotour Coffee* plans to open its coffee plantation in Hawaii to the public as a tourist attraction. It will include a flower garden, a fruit orchard, restaurants and a recreational barbeque area. Coffee beans produced at the facility will be sold at local hotels in Hawaii and will also be available on-line. *Dotour* plans to tie up with travel agencies in Japan to offer travel packages. (b 11/15)
- According to the *Japan Food Service Association*, total sales of member companies in October declined 6.1% on a same-store basis compared to the same month last year. This is mainly due to a 46.3% reduction in sales at *yakiniku* grilled beef restaurants after the recent detection of BSE in Japan. (a 11/27)

### **Food Processing/New Products/Market Trends**

- *Nisshin Oil Mills* plans to expand the production capacity of its factory in China 3.5 times the current level by 2003. Other Japanese food manufacturers, such as *Nichirei* and *Katokichi*, also are starting to expand their production in China in order to reduce costs. (a 11/10)
- The Tokyo Metropolitan Government has organized a committee to develop "Agri e-Market," an on-line service connecting small and medium-sized fruit and vegetable retailers and producers that operate in the Tokyo area. They plan to launch the service by 2004. It is unique for a local government to take the lead on such an initiative. (a 11/14)
- In response to the recent health boom, more restaurants are offering health-oriented menu items containing nutritional supplements. For example, Italian restaurant *Deeca* in Shimokitazawa, Tokyo has begun a "Supplement Menu" including a "Vitamin A Salad." *News Deli* in Yurakucho, Tokyo offers supplement toppings, such vitamin C and protein, for its menu items. The catalog sales business for nutritional supplements is also increasing. (a 11/14)
- Frozen food sales in terms of value for the first half of 2001 increased 4% for home use and declined 2% for business use compared to the same period last year. At the same time, the volume of sales increased 3%, implying that unit prices have been falling in conjunction with the deflationary economy. In addition, *sozai* side dishes also have been selling well for home use. (f 11/15)

- Beef prices in supermarkets fell 20% in October following the detection of BSE. At the same time, prices of pork and chicken rose 20-30%. Imported beef prices also declined by 10-20%. Supermarket officials do not expect consumer confidence to be easily restored. (a 11/19)
- *Shiseido*, one of the largest Japanese cosmetic companies, announced it will stop using animal ingredients in any of its cosmetic products in response to the BSE problem. They plan to switch from using beef, pork and chicken extract ingredients to those extracted from fish and plants. (a 11/19)

### **ATO/Cooperator/Competitor Activities/Trade Shows**

- The *Raisin Administrative Committee* plans to exhibit for the first time in the "Snack Festival 2001," scheduled for November 22-24 at Tokyo Big Sight. (c 11/7)
- "NextFoods Ishikawa 2001" was held November 1-4 in Ishikawa Prefecture. About 250 companies, including 25 from overseas, exhibited new processed food products of the future along with other well-established products and local specialties. (c 11/12)
- The Embassy of Ireland and Ireland's Agriculture Ministry held an "Ireland Meat Seminar" on November 7 in Tokyo. (c 11/14)
- Germany's *Agricultural Promotion Council (CMA)* held a "2001 German Food and Beverage Exhibition and Business Meeting" on November 13-15 in Tokyo. (f 11/22)
- The *Iowa Soybean Promotion Board* held its "Iowa State Soybean Seminar" on November 26 in Tokyo. (f 11/26)
- The *Florida Department of Citrus (FDOC)* held a press conference in Tokyo on November 6 announcing its 2001/2002 sales promotion plan. FDOC announced it will focus more on the promotion of *shochu* alcoholic drinks in the pub dining sector and cut fruit in the retail sector. (f 11/29)
- The *Japan Food Service Association* held its "2001 Japan Food Service Show" November 22-25 in Yokohama. Approximately 134,000 people attended the show over the four-day period. There were reportedly long lines at the beef tasting booth, which promoted the safety of beef from all over the world. (c 11/30)

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### **Sources**

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal        |
| (c) The Japan Food Journal       | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News          | (f) The Food Industry News              |

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